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TWENTY-FIVE YEARS OF POLITICAL FINANCE.

THE purpose of this article is broadly to trace the influence of party politics upon the currency of the United States since the close of the Civil War. I take this period because at its beginning, in the first place, the legal-tender notes of the United States were clearly recognized as debt to be paid, and in the second place, there was no dispute of any importance that all debt should and would be paid in the money of the world. The first of these principles has since been the subject of a long and severe political struggle, from which it has come out in some measure weakened. The second principle has been the subject of a struggle still more prolonged and violent, which cannot yet be said to have ended.

The first sign of party politics in the financial legislation of this period was shown in the Fortieth Congress, in the long session preceding the presidential election of 1868, and in the course of that manœuvring for position which generally marks such a session. On the 4th of February, 1868, the "authority of the secretary of the treasury to make any reduction of the currency by retiring or cancelling United States notes" was "suspended." These notes at the close of the fiscal year 1865 amounted to \$431,066,427. Two years later, under the policy of Secretary of the Treasury McCulloch, they were reduced to \$371,783,597. At the date of returns nearest to the passage of the law suspending his authority to make reductions the amount had fallen to \$356,000,000. This law was the first deflection in the legislation of the United States from the strict principle by which the legal-tender notes were treated as debt to be paid as promptly as possible.

In the national convention of the Democratic Party held in New York in July, 1868, the following was adopted :

Where the obligations of the government do not expressly state upon their face, or the law under which they were issued does not

provide, that they shall be paid in coin, they ought in right and justice to be paid in the lawful money of the United States.

One currency for the government, the people, the laborer and the office-holder, the pensioner and the soldier, the producer and the bondholder.

Here is a practical denial of both the principles to which I have referred as recognized at the close of the war. It is a denial that the United States notes are debt, since it proposes to pay with them certain obligations of the government. It is a denial that all debt should be paid in the money of the world, since it proposes to "pay" a part of the debt of the United States in notes of the United States. It is needless to trace in detail the origin of this policy. It may, I think, fairly be said to have been due to the desire of the leaders of the Democratic Party to get away from the questions directly connected with the war for the Union, and to escape the discredit naturally attaching to the opposition party during that tremendous and successful struggle. Whether the party had been right or wrong, sincere and patriotic or factious and mischievous, it had steadily been defeated, and there was no hope that it would not still be defeated on issues that should keep alive the passions of the war. Here was an issue practically novel, in which shrewd men saw a chance to assume the championship of the many against the few, of the poor against the rich, of equality against privilege and monopoly. I do not question their sincerity; and their foresight is justified by the event to the extent that they recognized the existence and possible spread of a sentiment which in one way or another has exerted a powerful influence on all subsequent party contests. If this sentiment has not given victory to the party that first openly appealed to it, it has profoundly modified the policy of their opponents and the current of national financial legislation.

The Democratic Party was defeated in 1868. The House of Representatives elected that year included 131 Republicans and only 72 Democrats. Immediately after the opening of its term (March 18, 1869), the Congress passed the act to strengthen the public credit, as follows :

In order to remove any doubt as to the purpose of the government to discharge all just obligations to the public creditors and to settle conflicting questions and interpretations of the laws by virtue of which such obligations have been contracted, it is hereby provided and declared that the faith of the United States is solemnly pledged to the payment in coin or its equivalent of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States except in cases where the law authorizing the issue of any such obligation has expressly provided that the same may be paid in lawful money and other currency than gold or silver. . . . And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin.

This act may be regarded as the formal and legal expression of the decision reached at the election of 1868. Between this and the Resumption Act of 1875 are to be noted two measures which aroused no party discussion at the time, but both of which became afterwards of great importance. One is the act of 1870 which authorized the issue of \$1,500,000,000 in bonds at 5, 4½ and 4 per cent (the latter \$1,000,000,000) for the refunding of the outstanding United States bonds. This is of interest chiefly because its provisions were resorted to long after in maintaining the gold reserve of the treasury. The second is what has since been denounced as the "silver demonetization act." It was a very simple and innocent piece of legislation, its avowed and real and sole purpose being the "revising and amending the laws relative to the mints, assay-offices and coinage of the United States." It regulated the organization and operation of the mint with its subordinate and associate offices, made the mint a bureau of the treasury, and placed at its head the Director of the Mint. But the interest of the act for the present discussion lies in the fact that it enumerated the gold coins, "which shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance," and also enumerated the silver coins, omitting the silver dollar, and limiting the legal tender of those mentioned to "five dollars in any one payment." From the

passage of this law, the silver dollar ceased to be one of "the coins of the United States" legally, as it had long before ceased to be in fact.

At the time the law was passed there was but little coin of any sort in circulation, depreciated paper having forced it out; but long before the issue of paper money silver had ceased to circulate, because it was undervalued in the legal ratio to gold. Unquestionably the intention of Congress in this law was to drop the silver dollar from the legal coinage; but that intention was in no wise concealed, and it met with no serious opposition. The inflationists, or advocates of cheaper money, who have since condemned the act so roundly, made no opposition at the time of its passage, for the obvious reason that the silver dollar was then not cheaper but dearer than the gold dollar, and the currency could not be inflated by authorizing the payment of debts in coin that commanded a premium.

Meanwhile political forces were tending strongly toward change. The extraordinary success of the Republican Party in the presidential election of 1872, and in the election of Representatives in the same year, was followed in 1874 by signal reverses. In the Forty-fourth Congress, the term of which began in March, 1875, the Democrats had a vote of 161 to 100 Republicans in the House, while in the Senate their numbers had risen in six years from 13 to 29. Many influences which it is not necessary to describe had aided in this change. The significant point for the present purpose is that the hold of the Republican Party on the government was, for the first time since the election of Lincoln, distinctly shaken. The leaders of that party could no longer content themselves with asking how they would use their power. They were compelled to ask how they should keep what they had and regain what they had lost. Whether they had used power, when they had so much of it and so firm a grasp of it, wisely or honorably, I do not inquire. I wish only to point out that they were now forced to study the change that had taken place in public opinion, to divine as far as possible its future course, and so to guide their policy as to take the most by it.

It was plain that public opinion was deeply interested in the question of the currency. The agitation begun in 1868 had not died out. It had been stimulated and intensified by the panic of 1873, which, on the one hand, had convinced a large part of the voters, and especially of the business men, that a return to a currency based on specie was needed, and on the other, had plunged a multitude of people into distress or bankruptcy, from which they sought relief in an inflation of the currency. Following that panic, in the first session of the Forty-third Congress, in which the Republicans still held the House by the heavy majority elected in 1872 and had a plurality of thirty-one in the Senate, there were strenuous efforts to inflate the legal-tender circulation. A bill fixing the maximum of United States notes at \$400,000,000 passed both houses, was vetoed by President Grant (April 22, 1874), and failed to pass over the veto. Later what was known as the "compromise-inflation" act — the first to which that ill-omened adjective was generally attached — passed and became a law. It fixed the maximum of the United States notes at \$382,000,000, and was in effect an act to legalize the action of the treasury in using, at the time of the panic, \$26,000,000 of the previously retired notes.

When the Forty-third Congress met, in December, 1874, the elections of that year had, as I have noted, wrought havoc with the overwhelming preponderance of the Republican Party. The advocates of the return to specie payments saw the need of prompt and efficient action, and the pledge of 1869 was to be carried out before the control of Congress passed from the hands of the Republicans. A vigorous campaign was begun, and by January 14, 1875, the law for the resumption of specie payments¹ was placed upon the statute book.

¹ Following is the essential part of this law: "Sect. 3. That section 5177 of the Revised Statutes of the United States, limiting the aggregate amount of the circulating notes of national banking-associations, be and is hereby repealed; and each existing banking-association may increase its circulating notes in accordance with existing law without respect to said aggregate limit; and new banking-associations may be organized in accordance with existing law without respect to said aggregate limit; and the provisions of law for the withdrawal and redistribution of national-bank currency among the several States and Territories are hereby repealed. And whenever and so often as circulating notes shall be issued to such

The plan of resumption provided in this bill was very clear. It removed the limit on national bank circulation ; required the reduction of the volume of United States notes to \$300,000,000, contingent on the issue of bank notes to the amount (in round numbers) of \$100,000,000 and the redemption of United States notes on and after January 1, 1879, in coin on presentation. The passage of the law marked the extreme point of advance in the reëstablishment and application of the principles to which I have referred—the payment of the public debt in the currency of the world and the recognition of the legal-tender notes as debt. During the next three years not only was gold the standard of the currency of the United States, but no other metal possessed the legal-tender quality. Under the provisions of the Resumption Act some \$36,000,000 of the United States notes were retired, and their volume was reduced to \$346,681,016, at which point it still rests.

No sooner, however, had this advanced position been reached, than the efforts of those whom, for lack of a better general term, I shall call the inflationists, were directed with renewed energy first to checking the advance and then to forcing a retreat. The Resumption Act awakened strong opposition, which was shared by probably the majority of active Democrats and by a considerable minority of Republicans. In the presi-

banking-association, so increasing its capital or circulating notes, or so newly organized as aforesaid, it shall be the duty of the Secretary of the Treasury to redeem the legal-tender United States notes in excess only of \$300,000,000 to the amount of eighty per centum of the sum of national-bank notes so issued to any such banking-association as aforesaid, and to continue such redemption as such circulating notes are issued until there shall be outstanding the sum of \$300,000,000 of such legal-tender United States notes and no more. And on and after the first day of January, A.D. 1879, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding on their presentation for redemption at the office of the Assistant Treasurer of the United States in the city of New York in sums of not less than \$50. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time, in the treasury not otherwise appropriated, and to issue, sell and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the act of Congress approved July 14th, 1870, entitled 'An Act to authorize the refunding of the National Debt,' with like qualities, privileges and exemptions to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purposes aforesaid." 18 Stat. at Large, 296.

dential canvass of 1876, the Democratic convention "denounced" the resumption clause of the act of 1875 as "a hindrance to a speedy return to specie payments," and demanded its repeal. Several attempts to secure a repeal were made in the Forty-fourth Congress, which in great part were defeated by the firmness and parliamentary skill of Mr. Samuel J. Randall, the Democratic speaker of the House. A repealing bill finally passed the House, but failed in the Senate.

In the Forty-fifth Congress (March 4, 1877 to March 3, 1879) the Republicans in the House numbered 137, to 156 Democrats, while in the Senate they had 39 members to 36 Democrats, with one Independent. The president was Mr. Hayes, seated after a disputed election, on the decision of the Electoral Commission. It will be seen that parties were very evenly balanced. The passions of the war certainly were not stilled, but the hold of the Republicans as the war party was hopelessly broken. Questions immediately connected with the war or reconstruction no longer engaged the exclusive attention of the public or of Congress. The sentiment on which the policy of the Democratic convention of 1868 was based had grown greatly. The leaders in each party either had in a great degree become animated by it or saw their advantage in appealing to it. They no longer confined their efforts to changing the policy of the government as to the legal-tender notes, though these were not neglected, but found a new field in advocating the use in the currency, "as money of final redemption," of silver, which, since 1873, had been slowly but steadily falling in market value.¹ Almost immediately on the opening of Congress in 1877 (December 10), Mr. Stanley Matthews, senator from Ohio, a Republican and an intimate political friend of President Hayes, called up a resolution declaring that all the bonds of the United States issued under the Refunding Act of 1870 and the Resumption Act of 1875 should be

payable, principal and interest, at the option of the government of the United States, in silver dollars of the coinage of the United States, containing 412½ grains each of standard silver; and that to

¹ The average price had declined from \$1.29 per ounce to \$1.15.

restore to its coinage such silver coins as a legal tender in payment of said bonds, principal and interest, is not in violation of the public faith nor in derogation of the rights of the public creditor.

This resolution was adopted by a vote of 43 to 22. The Republicans gave 19 for to 15 against it ; the Democrats 23 for to 7 against ; and Senator David Davis, the Independent, also voted for the resolution. At this time the silver in the dollar described was worth in the market a little less than ninety-one cents.

In the same Congress the House of Representatives, by a very heavy vote (163 to 34), passed the bill introduced by Mr. Bland of Missouri for the free and unlimited coinage of full legal-tender standard silver dollars. This bill was amended in the Senate under the leadership of Mr. Allison, of Iowa, and finally, on the report of a conference committee, was passed by both houses. It was vetoed by President Hayes, Mr. John Sherman being the secretary of the treasury, and on February 28, 1878, was passed over the veto. The vote in the Senate was 47 to 21 ; in the House, it was 196 to 73. The vote by party was as follows :

		SENATE.	HOUSE.	TOTAL.
Republicans	{ For	24	80	104
	{ Against	14	46	60
Democrats	{ For	23	116	139
	{ Against	7	27	34

The bill was entitled "An act to authorize the coinage of the standard silver dollar and to restore its legal-tender character." It provided that "there shall be coined at the several mints of the United States silver dollars of the weight of $412\frac{1}{2}$ grains troy of standard silver," which "shall be a legal tender at their nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract." It directed the purchase "from time to time" of "silver bullion at the market price thereof, not less than \$2,000,000 worth per month, nor more than \$4,000,000 worth per month," "to be coined monthly as fast as so purchased into such dollars." It

provided further that, on the deposit of standard dollars, the treasury should issue certificates, "receivable for customs, taxes and all public dues," which "when so received may be reissued." And finally, it directed the president to invite the governments of the Latin Union and of other European nations to a "conference to adopt a common ratio between gold and silver for the purpose of establishing internationally the use of bimetallic money and securing fixity of relative value between those metals."

Three days later (May 31, 1878), the president signed an act declaring that "it shall not be lawful" for the treasury

to cancel or retire any more of the United States legal-tender notes; and when any of said notes may be redeemed or be received into the treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, canceled or destroyed, but they shall be reissued and paid out again and kept in circulation.

With the legislation of 1878 the currency system of the United States assumed the form which it retained for the next twelve years. The legal-tender notes became redeemable in coin on the 1st of January, 1879, and before that date advanced to par. The coinage of standard dollars was resumed, but was kept at the lowest point (\$2,000,000 worth of bullion) per month. It is not within the scope of this article to trace the practice and policy of the treasury under this legislation. It is enough to say that each successive secretary sought by every means to prevent the accumulation of silver in the treasury. The fortunes of the two great political parties during this interval continued to fluctuate. The Democrats lost their majority in the House of Representatives in the elections of 1880 by a small margin; regained it, with decided increase, in 1882; elected their president by a close vote in 1884; and in the House retained a majority, which, however, steadily dwindled until it was lost in the elections of 1888. In the Senate the relation of the two parties changed in a curious way, owing to the long term and indirect election of senators. In the Forty-fifth Congress the Republicans had a plurality of three in the Senate; in the Forty-sixth the Democrats had a plurality of nine;

in the Forty-seventh the two parties were equal, with Senator Davis of Illinois and Senator Mahone of Virginia semi-detached from both ; in the Forty-eighth there were 38 Republicans and 36 Democrats, with two "Readjusters" from Virginia, acting generally with the former ; in the Forty-ninth there was a majority of eight Republicans ; in the Fiftieth the Republican majority was reduced to two.

In the elections of 1888, which turned chiefly on the tariff issue, raised with great boldness by President Cleveland in his message of 1887, the Republicans regained the presidency and a small majority (eight) in the House. During the next year four new states were admitted to the Union — North Dakota, South Dakota, Montana and Washington, and in 1890 there were added Idaho and Wyoming. The number of states was thus increased from 38 to 44, and that of the senators from 76 to 88. The senators from all these new states, together with those from Nevada, admitted in 1864, and from Colorado, admitted in 1876, were advocates of the free and unlimited coinage of silver, and gave to that policy a solid vote of sixteen under all conditions.

There was now in the Senate nearly a two-thirds majority for the unlimited coinage of silver. The strength of that measure in the House was not sufficient to carry it, so far as the votes taken show, but it was enough to force the leaders on both sides to believe that "something must be done for silver." A bill was reported by the House Coinage Committee for the purchase of \$4,500,000 worth of silver in each month, to be paid for in United States legal-tender notes, and these notes were to be exchangeable for their face value in bullion at the market price on the day of exchange. When the market price reached one dollar for 371.25 grains of silver, any owner of bullion might have it coined into legal-tender dollars. An amendment providing for free coinage of silver was offered, and was rejected by 116 to 140. The purchase bill passed, and in the Senate a free-coinage substitute was passed 43 to 24. This was rejected in the House by a majority of 17, and, after conference, the purchase act was adopted in both houses and signed by President

Harrison, July 14, 1890. The party vote on the free-coinage substitute in the two houses was as follows :¹

		SENATE.	HOUSE.	TOTAL.
Republicans	{ For	14	22	36
	{ Against	21	130	151
Democrats	{ For	29	112	141
	{ Against	3	22	25

The act as passed directed the purchase of 4,500,000 ounces of silver bullion in each month, to be paid for in treasury notes. These notes were redeemable "in coin," might be reissued, were to be neither more nor less in amount than the cost of the bullion and the silver dollars coined therefrom, and were to be a legal tender, receivable for public dues and available as part of the lawful reserve of national banks. There was a provision as to coinage, not important in connection with this article. The law contained the following provision, which afterwards exercised a very great influence on the policy of the government :

Upon demand of the holder of any of the treasury notes herein provided for, the secretary of the treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver coin at his discretion, it being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law.

Of the political situation which brought about the passage of this law, Senator John Sherman wrote four years later :²

The authorship of this law has been generally credited to me, and it was commonly called the "Sherman Silver Law," though I took but little part in framing the legislation until the bill got into conference. The situation at that time was critical. A large majority of the Senate favored free silver, and it was feared that the small majority against it in the other house might yield and agree to it. The silence of the president on the matter gave rise to an apprehension that if a

¹ Disregarding one "Wheeler" — substantially what was afterwards known as a "Populist."

² John Sherman's *Recollections of Forty Years in the House, Senate and Cabinet*. An Autobiography. 1895. Vol. ii, p. 1069.

free-coinage bill should pass both houses, he would not feel at liberty to veto it. Some action had to be taken to prevent a return to free silver coinage, and the measure evolved was the best attainable. I voted for it, but the day it became a law I was ready to repeal it, if repeal could be had without substituting in its place absolute free coinage.

This is certainly authoritative. Probably it is nearly a correct statement. The reference to the "silence of the president" is significant. There is no reason to think that Mr. Harrison was blind to the probable effects of the free coinage of silver. If he did not "feel at liberty to veto" a free-coinage bill, it is not likely that he really approved one. The inference is that his motive was a political one — not necessarily discreditable, since he might have believed that the defeat of his party would be a greater mischief for the country than free coinage, but clearly not a motive related to the specific merit of the bill.

The key to the situation may fairly be said to have been held by the senators from the silver-producing states. These senators were very firm in their attachment to free silver coinage, and were prepared to make terms with either of the great parties to advance their cause. While political coalitions are not readily proved, it is safe to say that the support given by Republican advocates of silver in opposing certain legislation affecting the South — popularly known as the "Force Bill" and the "Federal Elections Law" — had secured the coöperation of Democratic senators in aid of free silver; and it is equally safe to say that, in the legislation of 1890, Republicans in both houses — and, according to Senator Sherman, in the White House as well — were influenced by the probable effect of a "silver bolt" upon the fortunes of their party. It is a common statement in Washington that both parties in turn have been "held up" by the silver men and compelled to surrender what the latter felt that they were in a position to demand. The statement is picturesque. So far as the facts are concerned it is probably not far from the truth. The implication as to motive is of questionable justice. The silver men in public life doubtless are guided by their conception of their own

interests and those of the communities they represent. They do not in that differ very widely from other men in public life. Under a representative government it is the resultant of such conflicting interests that determines in a large degree the course of politics. It is to be hoped that in the long run the direction thus given is for the best ; but whether it be or not, the fact remains that interests affected by politics are advanced or protected by political effort — by what in the graphic military phrase so apt to politics is known as “fight.”

In the Congressional elections of 1890, the Republicans were signally defeated, winning but 88 seats in the House to 235 for the Democrats. In the next national elections, 1892, the Democrats again triumphed, winning 217 seats, to 121 for the Republicans ; at the opening of the Fifty-third Congress, March, 1893, there were in the Senate 44 Democrats, to 37 Republicans and four Populists, and Mr. Cleveland was again in the executive chair. In 1891 and again in 1892, a free-silver bill was adopted in the Senate, but the majority was decreasing. In 1891 the vote was 39 to 27 ; in 1892 it was 29 to 25. The first bill was adversely reported in the House and dropped ; the second was rejected by a vote of 136 ayes to 154 noes.

On August 11, 1893, the Congress was convened in extraordinary session by the president to consider the financial situation. He strongly urged the repeal of the act of 1890. The House responded promptly ; by August 28 the repeal act was passed by a vote of 239 to 108. Previous to this vote, free coinage at ratios from 16 to 1 to 19 to 1 was rejected, and the restoration of the Bland Act was defeated by 136 to 213. The Republicans cast 15 ayes to 110 noes ; the Democrats and Populists 121 ayes to 103 noes. On the vote to repeal the purchasing clause of the Sherman law, the Republicans cast 101 ayes and 24 noes ; the Democrats 138 ayes to 85 noes. The bill then went to the Senate. It is hardly necessary here to recall the long struggle of two months, in which the minority — there being no rule under which so-called debate could be stopped — involved that body. Finally a vote was reached on October 27. A free-coinage amendment was defeated by a vote of 28 to 39,

and a repeal bill was passed by 43 to 32, ten senators not voting. Counting the pairs announced, the parties in the Senate were on the vote divided as follows : Republicans, 26 ayes to 11 noes ; Democrats, 22 ayes to 22 noes ; Populists, 4 noes.

By the act, which became a law November 1, 1893, the purchasing clause of the law of 1890 was repealed, and there was added the following clause, which is probably the most curious statutory provision ever enacted by a legislative assembly :

And it is hereby declared to be the policy of the United States to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value, such equality to be secured through international agreement or by such safeguards of legislation as will insure the maintenance of the parity in value of coins of the two metals and the equal power of every dollar at all times in the markets and in the payment of debts. And it is hereby further declared that the efforts of the government should be steadily directed to the establishment of such a safe system of bimetallism as will maintain at all times the equal power of every dollar coined or issued by the United States in the markets and in the payment of debts.

This was probably intended on the one hand to soothe the feelings of those who had favored free silver coinage, and on the other to reassure those who favored a stable currency governed by the gold standard. It may be remarked that it left unimpaired the declaration of the act of 1890, that it is "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio or such ratio as may be provided by law."

This is the last legislative action of any importance relating to the currency. I shall not here refer to the policy by which gold payments have since been maintained. That has been due to the courage and force of the president, hotly opposed by a considerable portion of the Democratic Party and unaided in Congress by either his own or the opposing party. It has very deeply influenced public opinion, and that influence may plainly be shown in the nominating conventions about to meet.

If I understand the meaning of the history which I have sought succinctly to review, the following conclusions are clearly to be derived from it : Since 1868 the question of the currency has not been a controlling issue in any national election ; legislation on the subject has been determined by the rivalry of the two great parties in efforts to obtain or retain the support of a considerable but not definitely known inflation vote ; the successive votes in Congress, and particularly in the House, show a distinct decrease in the inflation strength, which decrease has been prevented from having its full effect in the Senate by the disproportionate representation in that body of the new states ; and finally if, by the action of the nominating conventions now near at hand, the currency issue shall be presented, the signs point to the defeat of whichever party shall favor the inflationist side.

NEW YORK CITY.

EDWARD CARY.